Comments of the California Energy Storage Alliance

**RENEWABLE INTEGRATION: MARKET AND PRODUCT REVIEW,
PHASE 1: STRAW PROPOSAL ON REFORMS TO ENERGY MARKET AND
PIRP RULES AND PROCEDURES**

January 20, 2011

The California Energy Storage Alliance (CESA) supports the CAISO's *Renewables Integration Market and Product Review, Phase 1: Straw Proposal on Reforms to Energy Market and PIRP Rules and Procedures*, dated December 22, 2010 (Straw Proposal).

Although CESA's primary interests lies in the CAISO's broader initiative to prepare the wholesale markets and system operations for renewable integration, CESA agrees with the staged approach being taken to front-load emphasis on RIM-related market rules that can be in effect in 1-2 years. The specific bid floor reduction and PIRP reform proposals seem generally appropriate, and should probably help accelerate deployment of energy storage in the medium to long term. CESA has no specific comments on the CAISO's bid cap or PIRP reform proposals.

CESA recognizes that its highest priority goal of achieving implementation of Regulation Management (REM) is outside of the scope of the Straw Proposal. CESA is nevertheless confident that the CAISO's REM proposal will be a success story in the progress report to be submitted by the CAISO to the FERC in March 2011, as required by the FERC's *Order Conditionally Accepting Tariff Revisions* 132 FERC ¶61,211 (September 10, 2010). That said, faster ramp rates and regulation comparability with generators should be at or near the top of the CAISO's list of priorities in Phase II.

The CAISO should also change its regulation payment method to include a payment based on the *rate of speed* of response to a CAISO control signal to reduce total MW capacity of regulation needed to manage the grid. This approach would fairly and reasonably compensate all types of resources for ramping performance on a comparable basis, and (i) motivate existing resources to improve their performance, (ii) attract new fast responding resources, and (iii) compensate all providers based on the full value of the service that they actually provide.

In the coming months, the CAISO should also encourage the California Public Utilities Commission (CPUC) to focus on operational capability in its Long Term Procurement (R.10-05-006) and Resource Adequacy (R.09-10-032) proceedings, rather than simple capacity as has been the case thus far. Emphasis on load following and regulation capacity up and down in the CPUC's proceeding should likewise be accelerated. Finally, CESA strongly urges the CAISO to accept the CPUC's invitation in its recent Energy Storage OIR (R. 10-12-007): "The Commission notes that the CAISO and the CEC could play important roles in the identification of viable and cost-effective energy storage systems that could be amenable for large-scale deployment in California, and we therefore invite and welcome the active participation of the CAISO and the CEC in this rulemaking." (p. 7).

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